



Town of Saugus

Classification Presentation and
Selection of Minimum
Residential Factor for
Fiscal Year 2015

Presented by the
Board of Assessors

Michael J. Murphy, Chairman
Marc Mitchell, Member
David Ricciardelli, Member

Ronald J. Keohan Jr. MAA, RMA
Deputy Assessor

Tamara Sands MAA
Assistant Deputy Assessor

DATE: December 2014
TO: Honorable Board of Selectmen
FROM: Board of Assessors

SUBJECT: Classification & Establishment of the FY2015 Tax Rate

The Saugus Board of Assessors vested with authority granted it by Chapter 59, General Laws relating to taxation, does affirm that the Full and Fair Cash Value of all taxable property, i.e. real and personal within the Town of Saugus has been established as \$3,810,181,040.

The Assessors do certify that property assessments meet the minimum certification requirements of full and fair cash value as required by the Department of Revenue, Division of Local Services, and Bureau of Local Assessment.

The Department of Revenue's calculation of the lowest possible Residential Factor is anticipated at 78.6704% or the right of your Board to tax commercial, industrial and personal property at a maximum share of the tax levy for FY2015 at 175.00%.

Your Honorable Board is required, in accordance with Chapter 369 of the Acts of 1982, to hold a public hearing, duly advertised, to determine the percentage of the tax burden to be borne by each class of property and which property has been classified by the Assessors according to use.

The Assessors cannot proceed to seek approval from the Department of Revenue's Bureau of Accounts for FY2015 tax rate, however, until the public hearing has been concluded with your vote of the Residential Factor.

Enclosed for your information and consideration are computations of projected maximum and minimum shares of the FY2015 tax levy.

FISCAL YEAR 2015		TOWN OF SAUGUS			
		ASSESSORS OFFICE			
		RON KEOHAN, MAA			
TAX LEVY		\$58,235,517.00			
SELECTED M.R.F		0.786704			
CLASS	VALUATION DOLLARS	PER-CENT	TAX LEVY DOLLARS	PER-CENT	
Residential Value	\$2,966,518,358.00	77.8577%	\$35,669,803.95	61.2509%	66.0257%
Open Space Value	\$0	0.0000%	\$0.00	0.0000%	
TOTAL R/O	\$2,966,518,358.00		\$35,669,803.95		
Commercial Value	\$604,616,642.00	15.8684%	\$16,171,872.88	27.7698%	
Industrial Value	\$157,595,200.00	4.1362%	\$4,215,248.74	7.2383%	
Personal Property Value	\$81,450,840.00	2.1377%	\$2,178,591.42	3.7410%	
TOTAL CIP	\$843,662,682.00		\$22,565,713.05		
GRAND TOTAL	\$3,810,181,040.00	100.00%	\$58,235,517.00	100.0000%	
Flat Tax Rate		15.28418634	C+I+P (%)	38.7491%	
Residential Rate		12.02413053			
C.I.P. Rate		26.74731682			
Residential Rate(%)=>50		Calculated MRF	78.6704%		
C I P Rate (%)=<175		174.99994%			
TAXES RECEIVABLE ROUNDED OFF					
Classes		New Tax Rates	Last Years Tax Rates	Difference	
R/O	\$35,669,803.95	\$12.02	\$11.61	\$0.41	3.57%
CIP	\$22,565,713.05	\$26.75	\$25.62	\$1.13	4.40%
Tax Levy		\$58,235,517.00			
Levy Limit		\$58,235,517.00			
Excess Levy Capacity		\$0.00			

The information contained in this handout is intended to provide the Board of Selectmen with information necessary to conduct a public hearing on the classification options available under Massachusetts General Law. The classification amendment allows the board to consider several options that will be explained further along in this handout. Additionally, the decision of the board for each of the options must be submitted to the state's Department of Revenue on form LA 5.

The options presented for consideration are:

Selection of a Minimum Residential Factor
Selection of a discount for Open Space
Granting of a residential and / or small commercial exemption

Selection of a residential factor

The Board of Selectmen has the option of selecting a factor of '1' which in effect, would adopt a single tax rate for all residential, commercial, industrial and personal property classes instead of shifting some of the tax burden off of the residential class and onto the CIP classes. If a factor of '1' were to be adopted, the single tax rate for all classes would be \$15.28. This rate is determined by dividing the tax levy by the total value of all taxable property in Saugus and then multiplying that result by 1000.

Levy: \$58,235,185.00 / Value: \$3,810,181,040 = (0.0147154) x 1000 = Tax Rate \$15.28.

Chapter 200

In accordance with the provisions of MGL Chapter 200, the Board of Selectmen can choose to split the tax rate by shifting some of the tax burden from the residential class to the CIP classes of property. This results in a lower residential tax rate and a higher rate for the CIP sector.

In choosing to split the tax rate, the Board must remain cognizant of two important limitations contained within Chapter 200:

1. The residential tax burden cannot fall below 50% of their tax burden prior to shifting, and
2. The CIP sector cannot absorb more than 175% of their tax burden prior to the shifting.

Historically, the selectmen have chosen the maximum allowable shift factor thereby affording residential taxpayers the lowest possible share of the tax burden allowed under state law.

The table below summarizes the tax rate impact at various shift intervals.

CIP SHIFT	RESIDENTIAL FACTOR	RESIDENTIAL %	CIP %	RESIDENTIAL TAX RATE	CIP TAX RATE
0	1.00	77.8577	22.1423	\$15.28	\$15.28
1.01	.991756	77.6363	22.3637	\$15.24	\$15.44
1.25	.92.8901	72.3221	27.6779	\$14.20	\$19.11
1.50	.857803	66.7865	33.2135	\$13.11	\$22.93
1.75	.786704	61.2509	38.7491	\$12.02	\$26.75

(Bold print represents the maximum allowable shift capacity)

It is important to note that although the board is effectively choosing the CIP shift factor, it is technically selecting the Residential Factor in column two that is the result of selecting the CIP shift illustrated in the first column. The next two columns indicate the respective share of the tax burden resulting from the corresponding shift factor. The final two columns present the anticipated tax rates for each class.

For your information, the average single family home value for fiscal year 2015 is \$314,800. In consideration of that value, the table below summarized the anticipated FY 2015 average tax bill amounts at various shift intervals.

CIP SHIFT	RESIDENTIAL FACTOR	RESIDENTIAL PERCENTAGE	RESIDENTIAL TAX RATE	EST. FY14 TAX BILL
1	1	77.8577	\$15.28	\$5,810
1.25	.928901	72.3221	\$14.20	\$4,470
1.50	.857803	66.7865	\$13.11	\$4,127
1.75	.786704	61.2509	\$12.02	\$3784

(Bold print represents the maximum allowable shift available for FY2015)

Additionally, the average commercial property valuation for fiscal year 2014 is \$1,406,300. The table below summarizes the anticipated FY2015 average tax bill amounts.

CIP SHIFT	RESIDENTIAL FACTOR	CIP PERCENTAGE	CIP TAX RATE	EST. FY14 TAX BILL
1	1.0000	22.1423	\$15.28	\$21,488
1.25	.928901	27.6779	\$19.11	\$26,874
1.50	.857803	33.2135	\$22.93	\$32,246
1.75	.786704	38.7491	\$26.75	\$37,618

(Bold print represents the maximum allowable shift available for FY2015)

In accordance with the provisions of Chapter 200, the Town may select a CIP shift factor of up to 175%.

If the intent of the Board of Selectmen were to afford residential taxpayers the lowest possible share of the tax burden allowed under state law for fiscal year 2015, then your minimum residential factor selection would be .786704 which would result in the following anticipated tax rates:

Residential Tax Rate	Commercial, Industrial & Personal Property Tax Rate
\$12.02	\$26.75

The results of the adoption of the aforementioned minimum residential factor as compared to last year's average tax bills are outlined in the following table:

Average Tax Bill Comparison FY 2014 to FY 2015	
FY2014 Avg. single family home value	\$308,100
FY2014 Avg. single family tax bill (\$11.61)	\$3,577
FY2014 Avg. commercial property value	\$1,568,800
FY2014 Avg. commercial property tax bill (\$25.62)	\$40,193
Projected FY 2014	
Projected FY 2015 residential tax rate	\$12.02
Average residential tax rate difference	\$0.41
Projected FY2015 average single family tax bill	\$3,784
Average single family tax bill difference	\$207.00
FY2015 average commercial property value	\$1,406,300
Projected FY2015 CIP tax rate	\$26.75
CIP Tax Rate difference	\$1.13
Projected FY2015 CIP Tax Bill	\$37,618.53
Average CIP difference	-\$2,574.13

Granting a Residential Exemption

The Board of Selectmen may adopt a residential exemption for all residential properties in the town that are owner occupied. The exemption amount would be to 20% of the average assessed value of all properties eligible to be taxed at the residential tax rate, including vacant parcels as part of the total parcel count.

Although the thought of granting a residential exemption to owner occupied residential properties appears to be a form of tax relief, this is not the case here in Saugus. It is true that some properties would receive tax relief through the adoption of this measure. However, since the tax levy remains the same and since it only shifts the tax burden within the residential class, the overall residential tax rate would increase substantially to compensate for this form of tax relief. In our case, the tax rate would rise from \$12.02 to an estimate of \$14.84.

According to the mechanics of this exemption, the tax burden for those owner occupied properties below the breakeven point would be decreased. For all other residential properties, the tax burden would increase. This would include all non-owner occupied residential properties and vacant land, as well as all owner occupied properties above the breakeven point since the exemption is deducted after the application of the much higher residential tax rate. Additionally, more assessing staff would be needed to accomplish the implementation and maintenance of this exemption.

The residential exemption has been adopted by only a few communities in the Commonwealth including Boston, Cambridge, Chelsea and Brookline and has never been adopted in Saugus. On a cautionary note, adoption of a residential exemption will significantly raise the residential tax rate while providing a benefit ONLY to those properties that are valued below the exemption's breakeven point.

CALCULATION OF THE LOWEST POSSIBLE RESIDENTIAL FACTOR

CHAPTER 200

FOR FY 2015

SAUGUS

- | | |
|---|-----------------|
| 1. Last year's chosen residential percentage* (Residential only, not R & O). | <u>62.1576%</u> |
| 2. This year's MRF using a 150% shift to CIP (from LA-7). | <u>85.7802%</u> |
| 3. Minimum residential share (R) in current year using 150% Shift to CIP. | <u>66.7865%</u> |

*If #1 is greater than #3, **STOP** ! You may shift only up to 150% to CIP and #2 remains MRF.*

If #3 is greater than #1, go on.

- | | |
|--|-----------------|
| 4. Calculate a residential factor using a 175% shift to CIP. | <u>78.6704%</u> |
| 5. Multiply this new residential factor by this year's FFCV residential percentage (R). | <u>61.2510%</u> |
| 6. What is the lowest historical residential percentage since the first certification (R). | <u>57.4523%</u> |

*If #5 is greater than #6, **STOP** ! You may shift up to 175% to the CIP and #4 is the Lowest Residential Factor.*

If #6 is greater than #5, go on.

7. Take the lowest historical residential percentage, #6 _____, divide it
by the current residential percentage at FFCV _____; the result is _____
the lowest residential factor allowable (it may not be less than 50%).
8. Multiply that factor by FFCV of the open space, add the new R% and O% shares, take 100% minus
(R + O)% total to equal the new maximum CIP percentage share _____
9. Divide this new maximum CIP share by FFCV of CIP share _____ to determine the
percentage of shift, _____ (this may not be more than 175%).

* Residential share in the year before first certification may be used if assessors document it was lower.

FY 2015

SAMPLE RESIDENTIAL AND COMMERCIAL PARCELS TO SHOW VALUE AND TAX CHANGES

MAP/LOT	RESIDENTIAL	FY 2014 RATE	FY 2014 VALUE	FY 2014 TAX	FY 2015 RATE	FY 2015 VALUE	FY 2015 TAX	TAX \$ DIFF	% TAX CHANGE	% VALUE CHANGE
C11-2-28	BENNETT AVE	11.61	314,100	\$3,646.70	12.02	315,300	\$3,789.91	\$143.21	3.93%	0.38%
B9-15-20	CANDLEWOOD CT	11.61	615,800	\$7,149.44	12.02	635,100	\$7,633.90	\$484.46	6.78%	3.13%
F3-2-13	ACADIA	11.61	189,800	\$2,203.58	12.02	185,600	\$2,230.91	\$27.33	1.24%	-2.21%
E15-9-1	BOW ST	11.61	330,400	\$3,835.94	12.02	343,200	\$4,125.26	\$289.32	7.54%	3.87%
E12-7-12	DAVID DR	11.61	442,600	\$5,138.59	12.02	455,500	\$5,475.11	\$336.52	6.55%	2.91%
G5-17-9	GLEN PARK AVE	11.61	375,500	\$4,359.56	12.02	390,200	\$4,690.20	\$330.65	7.58%	3.91%
G6-7-2	PRATT ST	11.61	279,200	\$3,241.51	12.02	254,900	\$3,063.90	-\$177.61	-5.48%	-8.70%
F5-20-18	ENDICOTT ST	11.61	250,500	\$2,908.31	12.02	245,400	\$2,949.71	\$41.40	1.42%	-2.04%
E5-4-4	ESSEX ST - two fam	11.61	219,600	\$2,549.56	12.02	207,200	\$2,490.54	-\$59.01	-2.31%	-5.65%
E6-16-26	SCHOOL ST	11.61	284,100	\$3,298.40	12.02	284,200	\$3,416.08	\$117.68	3.57%	0.04%
E13-4-6	WALNUT ST	11.61	275,100	\$3,193.91	12.02	276,700	\$3,325.93	\$132.02	4.13%	0.58%

COMMERCIAL

B8-5-4	ESSEX PLAZA	25.62	990,400	\$25,374.05	26.75	990,400	\$26,493.20	\$1,119.15	4.41%	0.00%
D14-2-3	CONTINENTAL	25.62	2,165,500	\$55,480.11	26.75	1,784,400	\$47,732.70	-\$7,747.41	-13.96%	-17.60%
D5-2-1	LOWE'S	25.62	16,049,300	\$411,183.07	26.75	16,049,300	\$429,318.78	\$18,135.71	4.41%	0.00%
D10-2-6	WALMART	25.62	1,216,300	\$31,161.61	26.75	43,752,700	\$1,170,384.73	\$1,139,223.12	3655.85%	3497.20%
E15-12-7	FERN MOTEL	25.62	373,800	\$9,576.76	26.75	386,500	\$10,338.88	\$762.12	7.96%	3.40%
D12-13-1	PET SUPPLY/PIER 1	25.62	8,080,400	\$207,019.85	26.75	8,095,700	\$216,559.98	\$9,540.13	4.61%	0.19%
D13-4-4	BORDER CAFE	25.62	2,171,000	\$55,621.02	26.75	2,138,500	\$57,204.88	\$1,583.86	2.85%	-1.50%
D13-2-1	KELLY'S ROAST BEEF	25.62	2,483,200	\$63,619.58	26.75	2,090,700	\$55,926.23	-\$7,693.36	-12.09%	-15.81%

CALCULATION OF MINIMUM RESIDENTIAL FACTOR AND SHIFTED TAX RATES

2014

Calculate actual class shares of levy (based on actual class share of total valuation)

	<u>VALUE</u>	<u>% SHARE</u>
Residential	\$2,966,518,358	77.86%
Open Space	\$0	0.00%
Commercial	\$604,616,642	15.87%
Industrial	\$157,595,200	4.14%
Personal Property	\$81,450,040	2.14%
	<u>\$3,810,180,240</u>	<u>100.00%</u>

Calculate actual R+O share = 77.8577%

Calculate actual CIP share = 22.1423%

Calculate the MAXIMUM that CIP share can be, using 175% shift (i.e. actual share X 175%) 38.7490%

Calculate the MINIMUM share that R&O can be (100% less shifted CIP share) 100.00%
38.7490%
 61.2510%

Calculate the MRF:

Min. Res. Share/Actual Re. Share 61.2510% / 77.8577% = 78.6704%

Calculate adjusted shares per class

<u>Actual Share</u>	<u>X</u>	<u>Factor</u>	
77.86%	MRF	78.6704%	= 61.2510%
0.00%	MRF	0.00%	= 0.0000%
15.87%	CIP FACTOR	175.00%	= 27.7698%
4.14%	CIP FACTOR	175.00%	= 7.2383%
2.14%	CIP FACTOR	175.00%	= 3.7410%
<u>100.00%</u>			<u>100.00%</u>

Calculate adjusted shares of levy (total levy X adjusted % share per class)

	<u>LEVY</u>	<u>\$58,235,185</u>
	<u>Adjusted Share</u>	<u>Levy per Share</u>
Residential	61.2510%	\$35,669,609.44
Open Space	0.0000%	\$0.00
Commercial	27.7698%	\$16,171,789.68
Industrial	7.2383%	\$4,215,227.06
Personal Property	3.7410%	\$2,178,558.82
	<u>100.00%</u>	<u>\$58,235,185.00</u>

Calculate adjusted tax rates per class (share of levy/class value X 1000)

	<u>Share of levy</u>	<u>Value</u>	<u>Rate</u>
Residential	\$35,669,609.44	\$2,966,518,358	<u>\$12.02</u>
Open Space	\$0.00	\$0	<u>\$0.00</u>
Commercial	\$16,171,789.68	\$604,616,642	<u>\$26.75</u>
Industrial	\$4,215,227.06	\$157,595,200	<u>\$26.75</u>
Personal Property	\$2,178,558.82	\$81,450,040	<u>\$26.75</u>
	<u>\$58,235,185.00</u>	<u>\$3,810,180,240</u>	

Additional Information

Further attached are some additional exhibits which you may find of interest.

Exhibit A is the form LA 4 that gives a breakdown of the various classes of property and their respective total valuations and parcel counts. This form must be reviewed and approved on an annual basis by the state's Department of Revenue.

The column entitled "Property Type" on the LA 4 contains the various classes of properties. The properties in the 100-series are the various types of residential properties in the community. The 300-series are commercial properties and the 400-series are industrial properties. The 012-043 represent mixed use commercial / residential properties and the 500-series are personal property accounts. All properties in the 100-series are taxed at the residential tax rate; all others are taxed at the CIP tax rate.

Exhibit B is the form used to determine the town's levy limit for **FY 2015**. Since the levy limit uses the prior year's levy as a basis, the **FY2014** levy limit calculation is listed in section one of the forms. The formula for calculating **FY 2015's** limit is illustrated in section two which takes last year's limit plus 2.5% plus new growth and any overrides or debt exclusions voted by the public. That total is the maximum allowable levy.

Exhibit C will provide you with some helpful definitions of some terms discussed as part of classification.

Exhibit D lists last year's tax rates and tax shifts for some neighboring communities.

Exhibit E provides a breakdown of the total levy by property class since 1986.

MASSACHUSETTS DEPARTMENT OF REVENUE

DIVISION OF LOCAL SERVICES

ASSESSMENT/CLASSIFICATION REPORT FY2015

SAUGUS

City/Town/District

as of January 1, 2014

PROPERTY TYPE	ACCT/ PARCEL COUNT	CLASS 1 Residential Assessed Value	CLASS 2 Open Space Assessed Value	CLASS 3 Commercial Assessed Value	CLASS 4 Industrial Assessed Value	CLASS 5 Personal Property Assessed Value
101	7,161	2,365,610,400				
102	817	201,217,300				
MISC 103,109	14	7,660,000				
104	563	192,025,300				
105	72	25,322,300				
111-125	37	110,571,600				
130-32,106	759	48,427,900				
200-231	0		0			
300-393	367			588,533,700		
400-452	93				157,595,200	
CH 61 LAND	0		0	0		
CH 61A LAND	1		0	42,700		
CH 61B LAND	6		0	1,097,400		
012-043	75	15,683,558	0	14,942,842	0	
501	226					7,586,950
502	448					14,908,700
503	0					0
504,550-2	4					43,355,740
505	3					10,543,000
506	1					2,203,600
508	5					2,852,850
TOTALS	10,652	2,966,518,358	0	604,616,642	157,595,200	81,450,840
REAL AND PERSONAL PROPERTY TOTAL VALUE						3,810,181,040
EXEMPT VALUE						302,967,000

NOTE : The information is preliminary and is subject to change.

THE COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF REVENUE
FISCAL 2015 TAX LEVY LIMITATION FOR
SAUGUS
FOR BUDGET PLANNING PURPOSES

I. TO CALCULATE THE FY 2014 LEVY LIMIT

A. FY 2013 Levy Limit	51,363,980	
A1. ADD Amended FY 2013 Growth	0	
B. ADD (IA + IA1) * 2.5%	1,284,100	
C. ADD FY 2014 New Growth	575,543	
C1. ADD FY 2014 New Growth Adjustment	0	
D. ADD FY 2014 Override	0	
E. FY 2014 Subtotal	53,223,623	I. \$53,223,623
F. FY 2014 Levy Ceiling	93,528,929	FY 2014 Levy Limit

II. TO CALCULATE THE FY 2015 LEVY LIMIT

A. FY 2014 Levy Limit from I.	53,223,623	
A1. ADD Amended FY 2014 Growth		
B. ADD (IIA + IIA1) * 2.5%	1,330,591	
C. ADD FY 2015 New Growth	1,567,626	
C1. ADD FY 2015 New Growth Adjustment	0	
D. ADD FY 2015 Override	0	
E. FY 2015 Subtotal	56,121,840	II. \$56,121,840
F. FY 2015 Levy Ceiling	95,254,526	FY 2015 Levy Limit

III. TO CALCULATE THE FY 2015 MAXIMUM ALLOWABLE LEVY

A. FY 2015 Levy Limit from II.	56,121,840
B. FY 2015 Debt Exclusion(s)	2,113,345
C. FY 2015 Capital Expenditure Exclusion(s)	0
D. FY 2015 Stabilization Fund Override	0
E. FY 2015 Other Adjustment	0
F. FY 2015 Water / Sewer	0
G. FY 2015 Maximum Allowable Levy	\$58,235,185

NOTE : The information is preliminary and is subject to change.

EXHIBIT C

IMPORTANT TERMS

TERM	DEFINITION
Levy	The property tax levy is the revenue a community can raise through real and personal property taxes.
Levy Limit	The maximum a community can levy in a given year equal to last year's levy plus 2.5% plus new growth plus override / exclusion if applicable.
Levy Ceiling	Equal to 2.5% of the total full and fair cash value of all taxable real and personal property in the community.
New Growth	Increase in the tax base due to new construction, parcel subdivisions, condominium conversions and property renovations but not due to revaluation. It is calculated by multiplying the increased assessed valuation by the prior year's tax rate for the appropriate class of property.
Override	A permanent increase to a community's levy limit.
Override Capacity	The difference between a community's levy ceiling and its levy limit. It is the maximum amount by which a community may override its levy limit.
Debt Exclusion	A temporary increase over the levy limit for the payment of a specific debt service item over a specific period of time.
Capital Outlay Expenditure	A temporary exclusion for the purpose of raising funds for capital project costs.
Excess Levy Capacity	The difference between the actual levy and the levy limit.

EXHIBIT D**FISCAL YEAR 2015
COMPARABLE TAX
RATES**

COMMUNITY	RESIDENTIAL TAX RATE	CIP TAX RATE
SAUGUS (FY15)	\$12.02	\$26.75
LYNNFIELD (FY14)	\$14.82	\$16.29
MELROSE (FY14)	\$13.03	\$19.90
READING (FY14)	\$14.94	\$14.94
STONEHAM (FY14)	\$13.06	\$21.00
WAKEFIELD (FY14)	\$12.29	\$24.97

**FISCAL YEAR 2015 TAX
SHIFT**

COMMUNITY	MAXIMUM ALLOWABLE SHIFT	FY 2015 ACTUAL SHIFT	% OF TAX BASE RES	% OF TAX BASE COM
SAUGUS (FY15)	175.00%	175.00%	78.38%	21.62%
LYNNFIELD (FY14)	150.00%	150.00%	90.80%	9.20%
MELROSE (FY14)	175.00%	150.00%	93.70%	6.30%
READING (FY14)	150.00%	150.00%	90.90%	9.10%
STONEHAM (FY14)	162.50%	154.00%	88.50%	11.500%
WAKEFIELD (FY14)	175.00%	175.00%	84.10%	15.90%